

# DYLEX 75

## ANNUAL REPORT

AR51





## HIGHLIGHTS

Years ended January following

1975  
(thousands of dollars)

1974

### Operating Summary

Net Sales	\$208,211	\$171,291
Net Earnings	\$ 7,424	\$ 5,242

### Per Share

Earnings — 1st quarter	\$ 0.15	\$ 0.13
— 2nd quarter	0.15	0.12
— 3rd quarter	0.52	0.32
— 4th quarter	0.45	0.33

Total	\$ 1.27	\$ .90
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Dividends	\$ 0.20	\$ 0.14
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### Financial Position

Working Capital	\$ 26,916	\$ 22,556
Current Ratio	1.82:1	1.82:1
Long Term Debt	\$ 7,329	\$ 7,241
Shareholders' Equity	\$ 40,876	\$ 34,654

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## President's Report

In 1975 we continued to strengthen our position as Canada's largest specialty merchandiser. Sales exceeded \$200 million and earnings were a record \$1.27 per share.

Over the years we have served the Canadian consumer by offering quality in a broad range of apparel supplied at competitive prices. As a result of our ability to purchase in large volume and a determination to provide the latest styles at reasonable prices, we were able to continue to supply both fashion and value despite rapid escalation of such costs as energy, taxes, rents, and wages.

The current inflationary trend has created an unhealthy environment in the Canadian economy in which real growth, so necessary for the long term development of Canada, has been seriously eroded. The federal government's attempts at controlling inflationary expectations through the anti-inflation guidelines, although a step in the right direction, require restraint in the public as well as the private sector to succeed. We have taken positive steps to support the program and to live within the spirit

of the guidelines by restraining prices. We are actively involved in communicating our position to our customers through the media and in our stores. At this time we still have reservations about the resolve of the federal government to live within its own rules. Failure on its part to exhibit tangible evidence of restraint may seriously undermine public support for the program.

The guidelines as they are written are more severe on retailers than many other companies. Because operating costs are generally rising faster than cost of goods sold, the regulations restrict a retailer's ability to recover legitimate cost increases through adjustments to gross margin. In addition the guidelines do not provide any incentive to industry to improve productivity. Attempts are being made to assist the Anti-Inflation Board in finding an equitable manner of applying the guidelines to the highly competitive retail clothing industry.

In September 1975 Dylex acquired an interest in Suzy Shier Inc., a Montreal based chain of women's specialty stores. The acquisition of the 22 Suzy

Shier stores, primarily in the province of Quebec, strengthened our position in this important market. In addition to bringing a new retailing dimension to our company it also continued our policy of acquiring young aggressive management.

In recent years we have concentrated our efforts on opening new stores. During the year under review we carried out a more moderate rate of expansion because of the limited availability of prime real estate locations. Attention was directed to two areas. First, we opened a 160,000 square foot central distribution facility in Toronto to service our Tip Top, Harry Rosen and Fashion Council divisions. The distribution centre, with its computerized system, is the first of its kind in Canada. Although the facility was only recently opened it is already operating successfully thus permitting a fast, efficient, low cost movement of merchandise to our stores. Second, we intensified our renovations program designed to up-grade older stores to reflect the current merchandising techniques built into newer stores and to provide flexibility in adapting to future developments.

## Outlook

Looking ahead we expect an even greater emphasis on the importance of the retail operations to Dylex's success. Growth will generally come from the maturing of the stores opened in recent years and from the selective opening of new stores. With the exception of Thrifty's, store openings will continue at a moderate rate. Emphasis will be placed on increasing the productivity of existing locations. The introduction of new equipment in the stores and the use of the distribution centre will permit us to move merchandise more effectively thus providing stores with the selection of current merchandise necessary to generate sales while maintaining better control over inventory levels. The short term impact of the current government control program has not yet been fully determined but I am confident about the long term prospects for the company. We have a strong base for the future.

An important aspect of our success is the contribution made by our employees. On behalf of the directors I would like to thank them for their enthusiasm and continued support.

Toronto  
April 28, 1976

J.F. Kay  
President



## Six Year Financial Review

(Years ended January following)	1975	1974	1973	1972	1971	1970
Consolidated Operating Results (thousands of dollars)						
Sales: Retail	\$187,625	\$148,298	\$107,446	\$ 82,768	\$ 66,253	\$ 54,405
Fashion Manufacturing	23,941	25,488	27,124	23,688	20,481	17,803
Inter group	(3,355)	(2,495)	(2,016)	(1,241)	(1,582)	(1,045)
Net Sales	\$208,211	\$171,291	\$132,554	\$105,215	\$ 85,152	\$ 71,163
Net Earnings*	\$ 7,424	\$ 5,242	\$ 4,466	\$ 3,781	\$ 2,333	\$ 408
Financial Position (thousands of dollars)						
Working capital (note 1)	\$ 26,916	\$ 22,556	\$ 17,848	\$ 12,001	\$ 11,432	\$ 9,859
Working capital ratio	1.8	1.8	1.6	1.4	1.7	1.6
Shareholders Equity (note 2)	\$ 40,876	\$ 34,654	\$ 30,228	\$ 23,264	\$ 19,476	\$ 16,845
Per Share Figures						
Net earnings*	\$ 1.27	\$ 0.90	\$ 0.77	\$ 0.65	\$ 0.40	\$ 0.07
Book Value (note 2)	\$ 7.01	\$ 5.95	\$ 5.19	\$ 4.00	\$ 3.37	\$ 2.92
Dividends on Class "A" shares	\$ 0.20	\$ 0.14	\$ 0.12	\$ 0.075	\$ 0.005	\$ 0.005
Average shares outstanding (000's)	5,826	5,826	5,826	5,803	5,786	5,774
Toronto Stock Exchange quotation						
Class "A" shares — high	\$ 87/8	\$ 73/8	\$ 123/4	\$ 117/8	\$ 45/8	\$ 4
— low	\$ 4.30	\$ 3.00	\$ 55/8	\$ 4.25	\$ 1.80	\$ 1.75
Number of Shareholders	2,683	2,869	2,743	2,693	2,680	2,337
Retail Statistics						
Sales (thousands of dollars)						
Women's (note 4)	\$ 76,021	\$ 57,473	\$ 38,136	\$ 30,629	\$ 24,918	\$ 18,387
Men's	60,798	51,500	40,677	35,326	28,450	24,432
Family (note 4)	50,806	39,325	28,633	16,813	12,885	11,586
Total Group	\$187,625	\$148,298	\$107,446	\$ 82,768	\$ 66,253	\$ 54,405
Number of stores	299	237	195	134	117	109
Store space end of year (000's sq. ft.)	1,630	1,472	1,252	851	760	700
Average store space during year (000's sq. ft.)	1,556	1,365	1,038	784	740	645
Sales per square foot (note 3)						
Women's (note 4)	\$ 129	\$ 120	\$ 111	\$ 112	\$ 93	\$ 78
Men's	\$ 142	\$ 128	\$ 125	\$ 128	\$ 106	\$ 96
Family (note 4)	\$ 85	\$ 73	\$ 70	\$ 68	\$ 55	\$ 50
Total Group	\$ 119	\$ 105	\$ 101	\$ 103	\$ 88	\$ 82

\*Before extraordinary items

Notes

- 1 Excluding finance subsidiary in 1970 and 1971
- 2 After writing off goodwill on acquisitions
- 3 Based on average square footage in use excluding outside wholesale sales and sales of integrated manufacturing division
- 4 Includes sales of subsidiaries since acquisition



# Financial Report

## Sales

In the fiscal year ended January 31, 1976 net sales increased from \$171.3 million to \$208.2 million or 21.6%. The growth is attributable to the retail operations which are analysed below.

### Women's Wear

Women's wear sales increased 32.3% during the year from \$57.4 million to \$76.0 million.

	1975	1974
Sales ('000)	\$76,021	\$57,473
% increase	32.3	50.7
Sales per square foot	\$ 129	\$ 120
Sales per store ('000)	\$ 898	\$ 974

The improvement was primarily the result of productivity gains in older stores, the maturing of recently opened units and the addition of seven new Fashion Council stores during the year. In addition 1975 figures reflect the operations of Suzy Shier Inc. from the date of acquisition. Since its acquisition by Dylex, Suzy Shier has opened four stores to bring the total to 26 at year-end.

Town & Country sales, which are not included in the consolidated results, increased to \$15.8 million. During the year four new stores were opened.

### Men's Wear

Men's wear sales were \$60.8 million, a 18.1% increase over the previous year.

	1975	1974
Sales ('000)	\$60,798	\$51,500
% increase	18.1	26.6
Sales per square foot	\$ 142	\$ 128
Sales per store ('000)	\$ 556	\$ 516

The increase results from improved productivity in existing stores, the successful operation for the full year of the newest Harry Rosen store located on Bloor Street in Toronto and opening of six new Tip Top stores during the year. The remaining two Tip Top warehouse stores were closed during 1975.

### Family Wear

Family wear sales increased 29.2% from \$39.3 million to \$50.8 million.

	1975	1974
Sales ('000)	\$50,806	\$39,325
% increase	29.2	37.3
Sales per square foot	\$ 85	\$ 73
Sales per store ('000)	\$ 554	\$ 581

Thrifty's sales showed a marked improvement in productivity in existing stores and a continuation of the expansion program which saw 21 new stores opened during the year.

Family Fair is still in a transition period. As a result sales were relatively

stable. Efforts at buying budget priced fashion goods designed specifically for its market are continuing. During the year four new stores were opened and five were reduced in size as part of a program to improve the size and location of the retail outlets.

### Manufacturing

Manufacturing sales were \$20.6 million. Increases in the results of the Posluns and Nu Mode divisions were offset by the decline in sales of Manchester Children's Wear.

Sales for the first full year of Manchester Inc., which are not included in the consolidated results, were encouraging. In addition the results of the Forsyth Group, in which we hold a 1/3 interest, continued to improve.

### Dylex Acceptance

Credit sales through the acceptance company increased by approximately 18%, producing customer service revenue of \$953,000. During the year the use of Dylex credit facilities was expanded to all retail divisions.





## Cost and Expenses

Efforts, including the installation of new equipment to provide more accurate, up to date inventory records and the addition of more staff to control shrinkage, were made to improve profitability through better inventory control. As a result, margins improved in the Fashion Council and Tip Top divisions.

Gross margins in the Family Fair division improved during the year as a result of a switch to more imported goods as part of its efforts to provide low priced fashion merchandise. Because of increased cost and risk, margins for imported goods are normally higher than for domestic goods.

The improvements in gross margins were necessary to offset rising operating costs. Store construction costs, rent, energy, and wage costs as well as property and business taxes, all significant factors in determining profitability were subject to inflationary pressure. Of the expenses mentioned only wages were included in the federal wage and price controls issued in October.

Interest on long-term debt was \$517,000 compared with \$513,000 in 1974.

Interest costs for funds used to finance operations declined during the year from \$1.2 million to \$900,000. This

resulted from lower borrowings, improved cash flows during the mail strike which occurred late in the year and a decline in interest rates during part of the year.

The elimination of the 10% federal surtax in April 1975 resulted in an overall lowering of the effective rate of tax for the year.

## Income from Investments

Significant growth in sales and productivity of our investments, particularly the Forsyth Group, Town & Country and The Shoe Shoppe produced an increase in income from investments.

## Earnings

Net earnings increased 41.6% from \$5.2 to \$7.4 million or \$1.27 per share.

	1975	% Increase
Sales ('000)	\$208,211	21.6
Earnings	\$ 7,424	41.6
Earnings per share	\$ 1.27	41.1

## Dividends

Dividends increased from 14¢ per share to 20¢ per share resulting in a dividend payout of \$1.2 million during the year. Subsequent to the year-end an extra dividend of 2½¢ per share was

declared in addition to the normal quarterly dividend. This represents an increase to the maximum allowed under the anti-inflation controls.

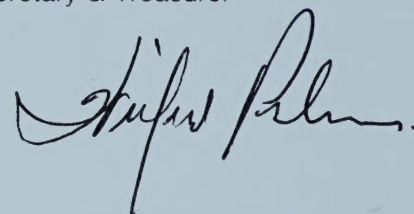
## Balance Sheet

Working capital at year-end increased \$4.4 million during the year from \$22.6 to 26.9 million. The working capital ratio was 1.8:1 in both years. Inventory of \$38.4 million or 64.4% of current assets compared with 72.7% in the previous year represented the largest item in current assets. Receivables of \$16 million result primarily from manufacturing operations and the acceptance company.

Shareholders' equity was \$40.9 million while long-term debt was \$7.3 million. The minority interest reflects our partners' share of consolidated subsidiaries.

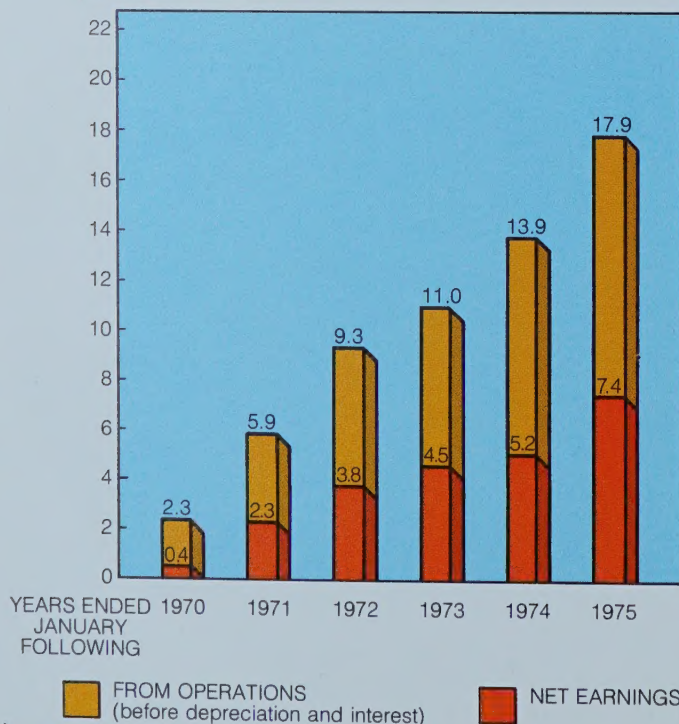
	1975	1974
Net book value of assets	\$40,876	\$34,654
Shares outstanding	5,826	5,826
Net book value per share	\$ 7.01	\$ 5.95

W. Posluns  
Secretary & Treasurer



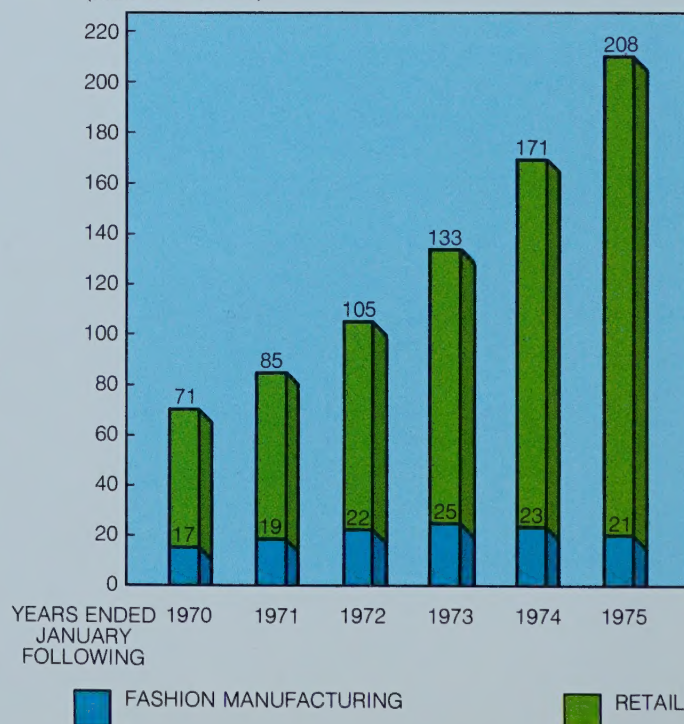
### EARNINGS

(Millions of dollars)



### SALES

(Millions of dollars)







# Women's Wear

## Fashion Council

The Fashion Council Division operates a group of stores under the Fairweather, Big Steel and Braemar names.

At the year-end there were 63 Fairweather stores located in major shopping centres and downtown areas throughout Canada. The stores which vary in size from 3,000 sq. ft. to 23,000 sq. ft. (average 8,400 sq. ft.) feature up to date layouts, stressing colour lighting and merchandise display to create an exciting, dynamic image to appeal to the 15-30 age group. The stores carry a broad range of the latest, fashionable, middle priced women's clothes and accessories including coats, dresses, sportswear, furs and leathers designed to provide customers with outstanding value. Most of the Fairweather stores include a "Big Steel" boutique of very modern youth oriented clothes.

There are eight Braemar stores located primarily in Ontario. The stores which vary from 1,800 sq. ft. to 5,700 sq. ft. (average 4,200 sq. ft.) are smaller and therefore more selective in lines carried; primarily sportswear, dresses and coats, appealing to a wider age span than Fairweather.

In addition, Fashion Council operates one free standing Big Steel store and one Leading Lady store.



Through careful selection and training Fashion Council has developed a knowledgeable, helpful sales staff to assist customers in selecting and co-ordinating their purchases.

## Suzy Shier

During the year Suzy Shier chain, largely based in Quebec, and with outlets in Ontario and Nova Scotia, joined the Dylex group of companies. At the year-end there were 26 stores varying in size from 1,500 sq. ft. to 4,200 sq. ft. (average 2,300 sq. ft.) The smaller stores with their emphasis on middle priced fashionable coats, dresses and sportswear appeal to the younger segment of the women's clothing market.



## Town & Country

Town & Country operated 57 stores at year-end in major shopping centres and downtown locations primarily in Ontario. During the year stores were opened in the Atlantic provinces. The stores vary in size from 1,600 sq. ft. to 4,300 sq. ft. (average 2,400 sq. ft.). Town & Country stores carry selective lines of middle priced, contemporary coats, dresses and sportswear for the career women and style conscious customer.







# Family Wear



## Thrifty's

The Thrifty's group continued its expansion. At year-end there were 63 stores across Canada. The stores, although generally small (varying from under 1,000 sq. ft. to 4,800 sq. ft. with an average of 2,000 sq. ft.) provide a wide selection of the latest pants and jeans. Levi, Lee's, H.I.S., and G.W.G. are a few of the popular brand names found at Thrifty's. Women's wear, shirts, outerwear and accessories are available to provide the younger customer with one-stop shopping for leisure or casual clothes.

Some stores have a tack shop called 'Tack 'n Togs' featuring riding apparel and accessories.

## Family Fair

Family Fair, as a budget priced family store, competes with various discount merchandisers. At year end there were 33 Family Fair stores in Ontario varying in size from 8,850 sq. ft. to 23,200 sq. ft. (average 13,800 sq. ft.). As a result of previous problems with market definition and store locations, Family Fair has not yet achieved the same success experienced by other divisions, however it is continuing in its efforts to eliminate excess space.

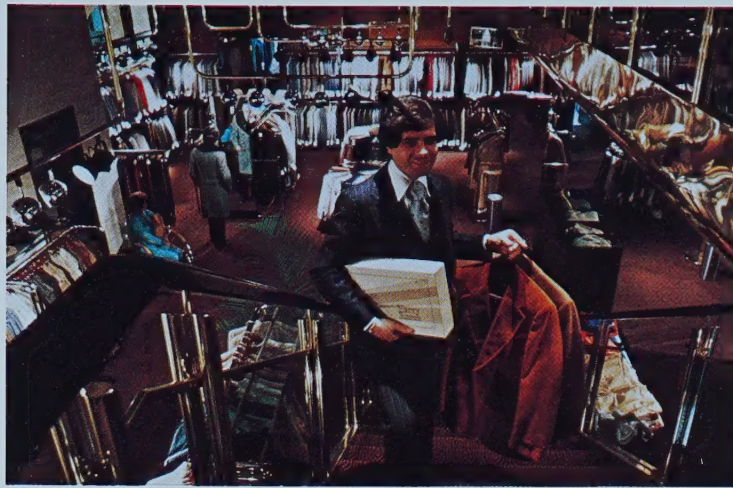


Through the introduction of low priced fashionable family merchandise Family Fair is attempting to provide good value to budget conscious families.





# Men's Wear



## Tip Top

There were 98 Tip Top stores operating throughout Canada at the end of the year. The stores, located generally in prime shopping centres and downtown locations vary in size from 1,800 sq. ft. to 12,600 sq. ft. (average 4,000 sq. ft.). Through the careful selection of fixtures for merchandise display and the clever use of lighting Tip Top has created flexible stores designed to serve the needs of a broad middle group of consumers.



Hardy Amies by Cambridge, Samuelson, Christian Dior and Yves Saint Laurent are among the leaders in world fashion whose fine suits and accessories are available for the discriminating buyer at Harry Rosen stores.

## Canadian Clothiers

Canadian Clothiers manufactures suits for the Tip Top chain under the Leishman and Henley labels and for other retailers under the popular Johnny Carson label. The division is introducing a multi-purpose leisure suit, the Palm Beach line.



Good value in ready-made suits, shirts, sportswear, coats and accessories and knowledgeable sales people trained to assist in selecting the right items are important factors in the continued growth of the division.

## Harry Rosen

The six Harry Rosen stores in Toronto (average 5,200 sq. ft.) enjoy a reputation for fashion, quality and personal service. The stores, featuring upper priced lines of suits and accessories, cater largely to professionals and executives.







# Manufacturing and Distribution

## Manufacturing

Dylex Limited has a number of manufacturing operations serving the needs of its own divisions as well as others in the retail trade. Posluns Sportswear makes both cloth and leather coats for women as well as coats for the teenage market.

National Knitting Mills produces a variety of children's wear and women's knits for sale to mail order houses, women's wear stores and department stores. Nu Mode Dress manufactures a variety of women's dresses for sale to virtually all mass retailers.

Manchester Children's Wear manufactures coats for the 6-12 year old and junior markets. Sales are made to large department stores and small specialty shops using the Junior Deb and Thunder Bay as well as their private labels.

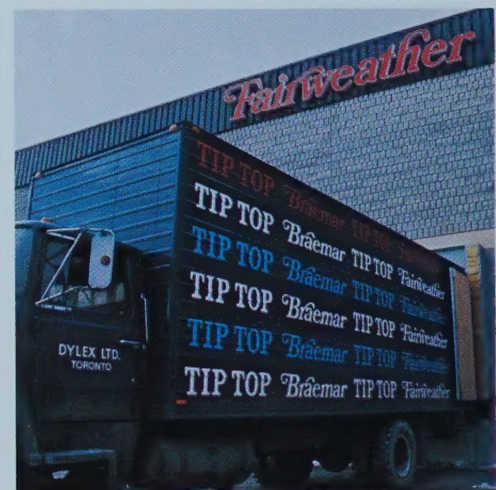
In addition to the above companies which are included in the consolidated operating results, Dylex has an interest in Forsyth Group and Manchester Manufacturing Inc. The Forsyth Group is Canada's leading manufacturer of men's shirts under the Forsyth and Pierre Cardin labels as well as a number of private brands. The company, which is  $\frac{1}{3}$  owned by Dylex also manufactures Lady Manhattan shirts for women.

Manchester Manufacturing, a company in which Dylex owns 42%, has modern manufacturing facilities in Colebrook, N.H. The company manufactures a variety of children's coats primarily for Sears Roebuck.

## Central Distribution

During the year a new central distribution facility was opened in Toronto to receive, process and distribute retail merchandise to Tip Top, Fashion Council and Harry Rosen stores. The 160,000 sq. ft. facility, with its computerized distribution system and modern conveyors, is the first of its kind in Canada.

The distribution centre provides a fast and efficient movement of merchandise at minimum costs, from suppliers to our stores.



1. Posluns coats are sold to retailers throughout Canada.
2. Youngsters are photographed in Manchester coats for a catalogue picture.
3. A fleet of trucks transport the latest in fashion to our stores.
4. Merchandise is moved by computerized conveyors in our 160,000 sq. ft. central distribution facility.



DYLEX LIMITED and Subsidiary Companies  
(Incorporated under the laws of Canada)

**Consolidated Statement of Financial Position**

	January 31, 1976	February 1, 1975
	(thousands of dollars)	
<b>Current Assets</b>		
Cash and short term deposits	\$ 4,381	\$ 327
Accounts receivable	16,060	12,400
Inventories (note 3)	38,365	36,353
Prepaid expenses	594	734
Notes and other investments due within one year (note 4)	189	171
	59,589	49,985
<b>Current Liabilities</b>		
Accounts payable and accrued	24,003	22,686
Income and other taxes payable	4,516	2,642
Notes payable (note 6)	2,650	1,466
Long-term debt due within one year (note 10)	1,504	635
	32,673	27,429
<b>Working Capital</b>	26,916	22,556
<b>Other Assets</b>		
Investment in associate companies (note 7)	4,482	3,562
Notes and other investments (note 4)	3,304	3,526
Advances—Key Employee Stock Plan (note 8)	856	1,061
Fixed assets (note 9)	15,070	13,964
Deferred charges at cost less amortization	346	192
Goodwill at cost less amortization (note 2)	971	—
<b>Assets Employed</b>	<b>\$51,945</b>	<b>\$44,861</b>
<b>Financed By—</b>		
<b>Other Liabilities</b>		
Long-term notes and mortgages payable (note 10)	\$ 7,329	\$ 7,241
Bank loan—Key Employee Stock Plan (note 8)	856	1,061
Deferred income taxes	613	783
Minority interests	2,271	1,122
	11,069	10,207
<b>Shareholders' Equity</b>		
Capital Stock (note 11)		
Common Shares	1,785	1,828
Class "A" Shares	21,298	21,255
Excess of appraised value of fixed assets over cost	1,701	1,723
Retained earnings	16,092	9,848
	40,876	34,654
<b>Capital Employed</b>	<b>\$51,945</b>	<b>\$44,861</b>

APPROVED ON BEHALF OF THE BOARD  
J. F. Kay, Director      W. Posluns, Director

The accompanying notes form an integral part of the financial statements.



DYLEX LIMITED and Subsidiary Companies  
**Consolidated Statement of Earnings**

	January 31, 1976	February 1, 1975
	(thousands of dollars)	
<b>Sales</b>		
Retail	\$187,625	\$148,298
Fashion manufacturing	20,586	22,993
Net sales	208,211	171,291
Customer service income	953	891
	<b>\$209,164</b>	<b>\$172,182</b>
<b>Earnings from operations before the following charges</b>	<b>\$ 17,874</b>	<b>\$ 13,886</b>
Depreciation	2,042	1,767
Amortization of deferred charges	329	203
Amortization of goodwill	14	—
Interest on long-term debt	517	513
Other interest	890	1,182
<b>Earnings before income taxes</b>	<b>14,082</b>	<b>10,221</b>
Income taxes	6,830	5,111
	<b>7,252</b>	<b>5,110</b>
Income from investments (note 7)	1,188	702
Minority interest in subsidiaries' earnings	( 1,016)	( 570)
<b>Net Earnings</b>	<b>\$ 7,424</b>	<b>\$ 5,242</b>
<b>Earnings per share</b>	<b>\$ 1.27</b>	<b>\$ 0.90</b>

**Consolidated Statement of Retained Earnings**

	January 31, 1976	February 1, 1975
	(thousands of dollars)	
<b>Balance at beginning of year</b>	<b>\$ 9,848</b>	<b>\$ 5,400</b>
Net earnings	7,424	5,242
Transfer from appraisal excess	22	22
Tax paid by subsidiary company on 1971 undistributed income net of minority interest	( 37)	—
	<b>17,257</b>	<b>10,664</b>
<b>Dividends—Common Shares (1976—20¢, 1975—14¢)</b>	<b>172</b>	<b>122</b>
—Class "A" Shares (1976—20¢; 1975—14¢)	993	694
	<b>1,165</b>	<b>816</b>
<b>Balance at end of year</b>	<b>\$16,092</b>	<b>\$ 9,848</b>

The accompanying notes form an integral part of the financial statements.



# Consolidated Statement of Changes in Financial Position

	January 31, 1976	February 1, 1975
	(thousands of dollars)	
<b>Source of Funds</b>		
Net earnings	\$ 7,424	\$ 5,242
Depreciation and amortization	2,385	1,970
Income from investments	( 1,188)	( 702)
Change in deferred income taxes	( 170)	327
Minority interest in net earnings	1,016	570
<b>Funds from operations</b>	<b>9,467</b>	<b>7,407</b>
Sale of subsidiary company	—	367
Decrease in investments and advances	490	563
Disposal of fixed assets	43	49
Increase in long-term debt	3,674	1,388
	<b>13,674</b>	<b>9,774</b>
<b>Use of Funds</b>		
Acquisition (note 2)	1,286	—
Fixed assets	2,601	2,484
Deferred charges	480	194
Investments and advances	—	879
Reduction of long-term debt including current portion	3,586	693
Dividends	1,165	816
Minority interest—dividends and taxes paid thereon	159	—
Tax paid by subsidiary on 1971 undistributed income net of minority interest	37	—
	<b>9,314</b>	<b>5,066</b>
<b>Net Increase in Working Capital</b>	<b>4,360</b>	<b>4,708</b>
<b>Working Capital, at beginning of year</b>	<b>22,556</b>	<b>17,848</b>
<b>Working Capital, at end of year</b>	<b>\$26,916</b>	<b>\$22,556</b>

## Auditors' Report

To the shareholders of Dylex Limited.

We have examined the Consolidated Statement of Financial Position of Dylex Limited and its subsidiaries as at January 31, 1976, and the Consolidated Statements of Earnings, Retained Earnings and Changes in Financial Position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For a company, accounted for by the equity method, we have relied on the report of the auditors who have examined its financial statements.

In our opinion, these Consolidated Financial Statements present fairly the financial position of the companies as at January 31, 1976, and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,  
March 26, 1976

WM. EISENBERG & CO.  
Chartered Accountants



# Notes to Consolidated Financial Statements

as at January 31, 1976

## 1. Accounting Policies

### Principles of Consolidation

The Consolidated Financial Statements include the accounts of all divisions and subsidiaries of Dylex Limited. Where 50% or less of the outstanding common shares of associate companies are held, the investment is initially recorded at cost and adjusted annually to reflect the Company's share of earnings and dividends.

### Inventories

Retail store inventories are valued, using the retail inventory method, at the lower of cost and net realizable value, less normal profit margins. Fashion manufacturing inventories are priced at the lower of cost (principally on a first-in, first-out basis) and net realizable value.

### Fixed Assets

Fixed assets are recorded at cost, except for the Company's property at 637 Lake Shore Boulevard West, Toronto, which is at 1967 appraised value. The appraisal excess is being transferred to retained earnings at the rate used for the depreciation of buildings.

Depreciation is designed to amortize the fixed assets on a straight-line basis over their estimated useful lives at the following rates:

Buildings	2½%
Equipment and leasehold improvements	10 to 20%
Automotive	25%

When fixed assets are sold or retired the related cost and accumulated depreciation are removed from the respective accounts, and any profit or loss is reflected in the Consolidated Statement of Earnings.

### Goodwill

The excess of purchase price over the fair market value of the net assets of subsidiaries and associates will be amortized on a straight-line basis over a period not exceeding forty years. Goodwill on acquisitions prior to March 31, 1974 was written off to retained earnings.

### Deferred Income Taxes

The Company follows the deferral method of income tax allocation under which the provision for income taxes relates to the accounting income for the period. The accumulated tax reductions applicable to future years result principally from claiming amounts for tax purposes in excess of book depreciation.

## 2. Acquisition

During the year the Company acquired for cash, 50.1% of the shares of Suzy Shier Inc. The assets and liabilities of Suzy Shier Inc. are included in the accompanying Consolidated Statement of Financial Position as at January 31, 1976 and the results of operations are reflected in the Consolidated Statement of Earnings from June 30, 1975, the effective date of acquisition.

Book value of assets	\$1,500,000
Book value of liabilities	916,000
Net book value	584,000
Deduct minority interest share in the net assets	292,000
	292,000
Excess of purchase price over book value of assets acquired representing goodwill	985,000
Total cost of assets acquired	1,277,000
Working capital deficiency	9,000
Funds required	\$1,286,000

## 3. Inventories

	1976	1975
Retail	\$34,348,000	\$31,792,000
Fashion manufacturing	4,017,000	4,561,000
	\$38,365,000	\$36,353,000



**4. Notes and Other Investments**

This item is comprised mainly of a 7% unsecured note for \$3,231,000 from an associate company, Strathearn House Group Limited, due February 15, 1983, and repayable in equal monthly instalments on a 15 year amortization basis.

**5. Bank Indebtedness**

Bank borrowings are secured by a pledge of book debts and manufacturing inventories.

**6. Notes Payable**

This amount is comprised of short-term notes payable by the finance subsidiary to associate companies.

**7. Investment in Associate Companies**

	Percentage Ownership
Brody's Town & Country (1967) Limited	50%
Drug World Limited	50%
The Shoe Shoppe Limited	50%
Manchester Manufacturing Inc.	42%
Forsyth Trading Company Limited and its subsidiaries	33 <sup>1</sup> / <sub>3</sub> %

**8. Key Employee Stock Plan**

Under this plan Common and Class "A" shares have been allocated to the Trustees of the Company's Key Employee Stock Plan to be issued at a price not exceeding a 15% discount from market at the time of allotment. As at January 31, 1976, 2,434 Class "A" shares remain to be issued (note 11). To facilitate the purchase of these shares by key employees, the Company has provided \$856,000 as at January 31, 1976 to the Trustees of the Plan, to be repaid over a period not exceeding ten years.

**9. Fixed Assets**

	1976	1975
Land	\$ 1,181,000	\$ 1,181,000
Building	4,207,000	3,647,000
Equipment and leasehold improvements	20,912,000	19,023,000
	26,300,000	23,851,000
Accumulated depreciation	11,230,000	9,887,000
	\$15,070,000	\$13,964,000

**10. Long-Term Debt**

	1976	1975
Notes payable by finance subsidiary principally to directors, officers and shareholders of the Company and their associates at prime bank rate	\$ 3,263,000	\$ —
Bank term loan—prime plus <sup>1</sup> / <sub>4</sub> % due February 28, 1976	—	2,000,000
—prime plus <sup>1</sup> / <sub>2</sub> % due June 30, 1981	835,000	945,000
10% First mortgage on building, due October 15, 1978	1,516,000	1,578,000
9 <sup>1</sup> / <sub>2</sub> % First mortgage on building, due December 1, 1997	626,000	635,000
Finance company notes, secured by chattel mortgages	708,000	861,000
Promissory notes, non-interest bearing, due December 1, 1980	446,000	535,000
Other, principally landlord loans	1,439,000	1,322,000
	8,833,000	7,876,000
Due within one year	1,504,000	635,000
	\$ 7,329,000	\$ 7,241,000



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**10. Long-Term Debt (continued)**

Requirements for repayment within the next five years are as follows:

1977	\$1,504,000
1978	3,088,000
1979	1,768,000
1980	343,000
1981	332,000

---

**11. Capital Stock**

Authorized

6,000,000	Common Shares without par value
20,000,000	Class "A" participating preference shares, without par value
1,000	Class "B" non-participating preference shares, without par value

Issued

		<u>1976</u>	<u>1975</u>
848,512	Common Shares (1975—869,079)	\$ 1,785,000	\$ 1,828,000
4,977,054	Class "A" Shares (1975—4,956,487)	21,298,000	21,255,000

The Common Shares are convertible into Class "A" Shares on a one-for-one basis. During the year, 20,567 Common Shares were converted. Reference is also made to note 8.

---

**12. Remuneration of Directors and Officers**

	Number		Directors also Officers	Remuneration	
	Directors	Officers		Directors	Officers
Dylex Limited	20	18	13	\$ 4,000	\$ 2,615,000

---

**13. Lease Commitments**

Aggregate rentals paid on property and equipment leases for the year ended January 31, 1976 amounted to \$13,253,000 (1975 — \$10,129,000). Minimum annual rentals for the next five years on long-term property and equipment leases, in effect at January 31, 1976 are:

1977	\$12,666,000
1978	12,575,000
1979	12,505,000
1980	12,054,000
1981	11,791,000

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**14. Anti-Inflation Legislation**

The companies are subject to restraint of profit margins, prices, dividends and compensation under the terms of the Anti-Inflation Act and Regulations which became effective October 14, 1975.

The effect of the controls on operations is not yet clear owing to uncertainties surrounding the interpretation of the Regulations but it is not expected to have a material effect on the reported earnings for the year ended January 31, 1976. Dividends during the year ending October 13, 1976 may not exceed 22½¢ per share.

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**15. Contingent Liabilities**

The Company, together with others, has guaranteed the bank loans and notes payable of associate companies to the extent of \$4,000,000.

As at January 31, 1976 the maximum contingent liability covered by these guarantees was approximately \$1,450,000, but Dylex holds a cross guarantee from another guarantor for approximately \$650,000.

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Dylex Retail Store Locations	Total	Fashion Council	Tip Top	Harry Rosen	Family Fair	Thrifty's	Suzy Shier
<b>British Columbia</b>	27	10	12			5	
Vancouver	22	10	9			3	
Victoria	5		3			2	
<b>Alberta</b>	32	7	14			11	
Calgary	13	3	6			4	
Edmonton	16	4	6			6	
Lethbridge	3		2			1	
<b>Saskatchewan</b>	4	1	2			1	
Regina	2		1			1	
Saskatoon	2	1	1				
<b>Manitoba</b>	14	2	5			7	
Winnipeg	14	2	5			7	
<b>Ontario</b>	167	41	42	6	33	35	10
Barrie	1					1	
Belleville	1				1		
Brantford	2		1		1		
Brampton	1					1	
Burlington	4	2	1		1		
Cambridge	3		1		1	1	
Chatham	1				1		
Guelph	1				1		
Hamilton	12	3	3		2	2	2
Kingston	3	1	1		1		
Kitchener/Waterloo	10	2	2		2	3	1
London	7	2	1		2	2	
Newmarket	1		1				
Oshawa	3	1	1		1		
Ottawa	14	4	5		1	3	1
Peterborough	4	1	1		1	1	
Pembroke	1				1		
St. Catharines	5	3	1			1	
Sarnia	1				1		
Sault Ste. Marie	3	1	1		1		
Sudbury	6	2	2			1	1
Thunder Bay	3		1			2	
Toronto (Metro)	72	18	18	6	12	15	3
Welland	2				1		1
Windsor	6	1	1		1	2	1
<b>Quebec</b>	36	7	14				15
Montreal (Metro)	17	2	7				8
Quebec City	10	4	4				2
Chicoutimi	2		1				1
Hull	3	1	1				1
Sherbrooke	3		1				2
Valleyfield	1						1
<b>New Brunswick</b>	6	2	3			1	
Saint John	2		1			1	
Moncton	4	2	2				
<b>Nova Scotia</b>	12	3	5			3	1
Dartmouth	3	1	1				1
Halifax	9	2	4			3	
<b>Newfoundland</b>	1		1				
St. John's	1		1				
	299	73	98	6	33	63	26



## Corporate Information

### Directors

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Kenneth Axelrod  
D. W. Casey  
George Fine  
J. F. Kay  
S. F. Kay  
David Korn  
Irving Levine  
Sydney Loftus  
Irving Posluns  
Jack Posluns  
L. H. Posluns  
Wilfred Posluns  
Lionel Robins  
Harry Rosen  
Samuel Shainhouse  
S. M. Sigel  
W. H. Singer  
H. J. Stitt, Q.C.  
Henry Zagdanski  
A. H. Zaldin, Q.C.

### Officers

---

L. H. Posluns, *Chairman of the Board*  
J. F. Kay, *President*  
Wilfred Posluns, *Secretary and Treasurer*  
Irving Posluns, *Executive Vice-President*  
Jack Posluns, *Executive Vice-President*  
Kenneth Axelrod, *Vice-President*—Manchester Clothing  
Alfred Callegari, *Vice-President*—Tip Top  
Gordon Edelstone, *Vice-President*—Tip Top  
George Fine, *Vice-President*—Family Fair  
Irving Levine, *Vice-President*—Fashion Council  
Sydney Loftus, *Vice-President*—Dylex Real Estate  
Paul Mancini, *Vice-President*—Canadian Clothiers  
Lionel Robins, *Vice-President*—Fashion Council  
Harry Rosen, *Vice-President*—Harry Rosen  
David Rosenberg, *Vice-President*—Corporate Services  
Samuel Shainhouse, *Vice-President*—National Knitting  
Henry Zagdanski, *Vice-President*—Nu Mode  
Donald Williams, *Assistant Secretary*

### Subsidiary Companies

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Dylex Acceptance Corporation Limited  
Fairweather Inc.  
Fashion Council Limited  
Harry Rosen Men's Wear Limited  
National Knitting Mills Company Limited  
Suzy Shier Inc.  
Thrifty Riding and Sport Shop Limited

### Transfer Agent and Registrar

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National Trust Company, Limited

### Auditors

---

Wm. Eisenberg & Co., Chartered Accountants

### Bankers

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Bank of Montreal

### Listed on

---

Toronto Stock Exchange  
Montreal Stock Exchange

### Head Office

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637 Lake Shore Boulevard West  
Toronto, Canada  
M5V 1A8





Dylex maintains its own credit cards, as well as accepting other cards, to provide credit services to its customers.







AR51

# DYLEX ANNUAL REPORT



YEAR ENDED FEB.1, 1975



## Contents

Five Year Financial Review	2
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Corporate Information	16

## Highlights

Years ended January following	1974	1973
	(Thousands of dollars)	

### Operating Summary

Net Sales	\$171,291	\$132,554
Net Earnings	\$ 5,242	\$ 4,466

### Per Share

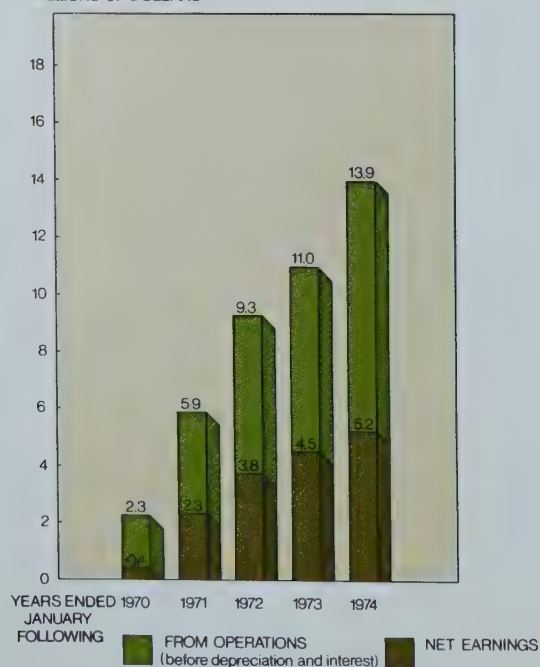
Earnings	\$ 0.90	\$ 0.77
Dividends	\$ 0.14	\$ 0.12

### Financial Position

Working Capital	\$ 22,556	\$ 17,848
Current Ratio	1.82:1	1.63:1
Long Term Debt	\$ 7,241	\$ 6,546
Shareholders' Equity	\$ 34,654	\$ 30,228

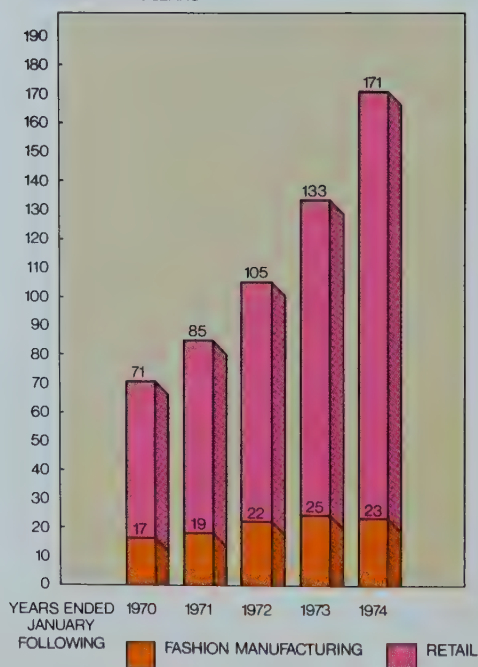
## EARNINGS

MILLIONS OF DOLLARS



## SALES

MILLIONS OF DOLLARS





Dylex is Canada's largest specialty fashion merchandiser. The company's two hundred and thirty-seven stores throughout the country appeal to a broad cross-section of Canadians.





## Five Year Financial Review

(Years ended January following)	1970	1971	1972	1973	1974
<b>Continuing Operations</b> (thousands of dollars)					
Net Sales	\$71,163	\$85,152	\$105,215	\$132,554	\$171,291
Earnings from operations	2,320	5,908	9,370	10,958	13,886
Net Earnings*	\$ 408	\$ 2,333	\$ 3,781	\$ 4,466	\$ 5,242
<b>Financial Position</b> (thousands of dollars)					
Working Capital (note 1)	\$ 9,859	\$11,432	\$ 12,001	\$ 17,848	\$ 22,556
Working Capital Ratio	1.6	1.7	1.4	1.6	1.8
Shareholders' Equity (note 2)	\$16,845	\$19,476	\$ 23,264	\$ 30,228	\$ 34,654
<b>Per Share Figures</b>					
Net Earnings*	\$ 0.07	\$ 0.40	\$ 0.65	\$ 0.77	\$ 0.90
Book Value per share (note 2)	\$ 2.92	\$ 3.37	\$ 4.00	\$ 5.19	\$ 5.95
Dividends on Class A shares	\$ 0.005	\$ 0.005	\$ 0.075	\$ 0.12	\$ 0.14
Average shares outstanding (000's)	5,774	5,786	5,803	5,826	5,826
<b>Retail Results</b> (thousands of dollars)					
Sales: Retail	\$56,547	\$69,583	\$ 86,142	\$107,446	\$148,298
Fashion Manufacturing	17,803	20,481	23,688	27,124	25,488
Prior to acquisition	(2,142)	(3,330)	(3,374)	—	—
Inter-Group	(1,045)	(1,582)	(1,241)	(2,016)	(2,495)
	\$71,163	\$85,152	\$105,215	\$132,554	\$171,291
Retail Sales: Women's	\$18,387	\$24,918	\$ 30,629	\$ 38,136	\$ 57,473
Men's	24,432	28,450	35,326	40,677	51,500
Family	\$13,728	\$16,215	\$ 20,187	\$ 28,633	\$ 39,325
Number of stores	112	122	134	195	237
Store space end of year (000's sq. ft.)	707	771	851	1,252	1,472
Average store space during year (000's sq. ft.)	645	751	796	1,038	1,365
Sales per square foot (note 3)					
Women's	\$ 78	\$ 93	\$ 112	\$ 111	\$ 120
Men's	96	106	128	125	128
Family	59	67	76	70	73
Total group	\$ 81	\$ 90	\$ 105	\$ 101	\$ 105

\*Before extraordinary items.

- Notes
1. Excluding Finance subsidiary in 1970 and 1971
  2. After writing off goodwill on acquisitions
  3. Based on average gross square footage in use  
Excludes outside wholesale sales and sales of integrated manufacturing division

1472  
851  
237  
195  
42



## To our Shareholders

Your company made further progress during the past year in strengthening its position as Canada's largest specialty fashion merchandiser. Sales increased by \$39 million to \$171 million while profit increased from \$4.5 million or 77 cents per share to \$5.2 million or 90 cents per share.

We achieved satisfactory levels of sales and earnings during the year despite increased store opening costs and higher rates of interest and income tax.

Sales of established stores have continued to grow. Overall, sales per square foot have begun to rise again as the productivity of newer stores improves.

At the Family Fair division, a changed merchandising approach appears to be succeeding. Early indications are that the division could break-even in 1975.

Manufacturing sales were below the previous year as a result of the sale of a majority interest in the Manchester Inc. outerwear plant at Colebrook, N.H. This plant took over substantial export production from our Montreal plant and these sales are now excluded from consolidated results. A loss primarily related to start-up costs of the Manchester Inc. plant was written off against investment income.

Strong performance by the Forsyth Group, Town & Country Stores and The Shoe Shoppe Ltd. resulted in higher profits and a substantial increase in our investment income from our equity positions in these firms.

The quarterly dividend was raised from 3 cents to 5 cents commencing with the fourth quarter payment. This move reflected our belief that as the company's financial position improves a larger share of the profits should be returned to the shareholders.



### Executive Group:

Irving Posluns, Wilfréd Posluns, J. F. Kay, W. H. Singer, Jack Posluns

The growth of the company from the end of our formative period is illustrated in the five-year summary on the opposite page. You will note that the increase has been particularly strong in the past two years during which time 103 stores were added bringing the total to 237 and retail store space expanded to nearly 1.5 million square feet. We are proud that we have achieved this growth while maintaining our profitability and strengthening the company's financial position.

Shareholders should find the change in presentation of the company's balance sheet information on page 11 of interest. It is presented in a more straightforward format and one which we believe shareholders will find easier to read.

### The future

Our growth is continuing but its emphasis is changing. During the current year we expect a more moderate rate of expansion because of the limited number of prime real

estate locations which are available. At the same time, additional emphasis is being placed on operating efficiencies, the improvement of inventory turnover, upgrading of our stores where necessary and further identifying and developing our specialized market areas.

We believe that the current pause in store expansion provides us with an opportunity to exploit our strength. Rapid expansion enabled us to obtain outstanding locations in major shopping centres and now we are well positioned to improve our earnings performance.

I acknowledge on behalf of the directors the contributions that have been made by all our personnel. Our record of growth, performance and stability achieved over the past five years attests to their efforts.

Toronto  
April 30, 1975

J. F. Kay  
President





## Dylex Today

The large number of specialty fashion stores opened over the past few years by the Dylex retail divisions have positioned the company in the country's leading regional shopping centres for a new period of growth as outlined in the president's report.

## Fashion Council

Sales rose approximately 50 percent to \$57 million in an outstanding year for the Fashion Council group (Fairweather, Braemar, and Big Steel) and were 15 percent higher on a store-for-store basis. Sales per square foot improved from the previous year's \$111 to \$120 per foot.

In the past year, 14 new stores were opened, bringing the total to 66. Present plans call for six to eight new stores to be opened in the current year.

Style changes are evolving in the group's young, fashion-conscious apparel market, but the trend is not of a dramatic nature. Fashion Council is stressing staff improvements in 1975 through training programs for sales and management people.

The Shoe Shoppe, in which Dylex has a 50-percent interest, enjoyed a successful year and is now operating several free standing stores in addition to shoe departments in the larger Fairweather stores.

## Town & Country Shops

An excellent performance was recorded by the Town & Country chain of sports and casual women's wear stores in which Dylex holds a 50-percent interest. Sales volume reached \$14.5 million and sales per square foot were approximately \$115. Pre-tax profit improved substantially.

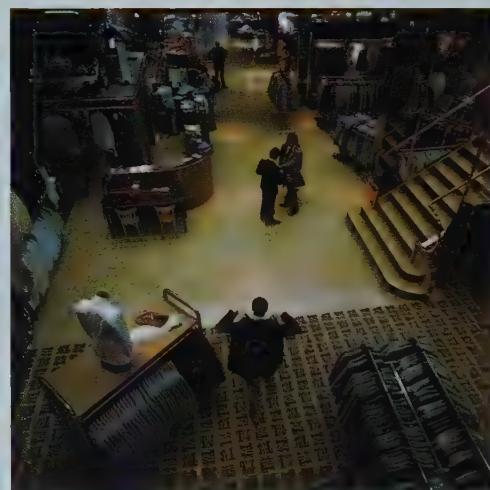
Town & Country had 53 stores at the end of the year; expansion will be in the order of three or four new stores in 1975, comparable to last year — a more moderate pace following the rapid expansion of previous years. In future years stores are planned in the Atlantic provinces, a market area which Town & Country believes is suited to its merchandising approach.

Town & Country is continuing its emphasis on offering contemporary fashion merchandise for the professional or career woman, young mother and the style-conscious customer.









## Family Wear

Sales of our family clothing division, Thrifty's and Family Fair, rose to \$39 million in 1974. Productivity per square foot of store space was also up.

The Thrifty's group of leisure, outerwear and casual wear stores achieved another year of excellent growth and higher sales. Store expansion continued through the year, the number of outlets rising from 32 to 42. Approximately 10 new stores are planned for opening in the current year.

While the primary market for the chain is the 14-to-25 year age group, Thrifty's is widening its appeal, chiefly to the lower-age segment. The product lines have been broadened to accomplish this; at the same time, greater emphasis is being placed on women's wear and shirts.

Moderate improvement was realized over the previous year by Family Fair. Excess space in some stores was eliminated and this program is continuing. Family Fair at the end of the year operated 29 stores and plans to open four during 1975.

Family Fair, as a budget-priced family store, is placing more emphasis on the ordering of goods specifically for its market and a stringent system of quality control has been put in place. This year's merchandising program in addition to stressing value is aimed at achieving a stronger image among young families.





## Men's Wear

Sales volume of the men's divisions — Tip Top and Harry Rosen — increased to \$51.5 million from \$40.7 million. The division attained average sales of \$128 per square foot for all stores for the year. The more mature stores were considerably higher and reported volume gains of 10 percent from the previous year.

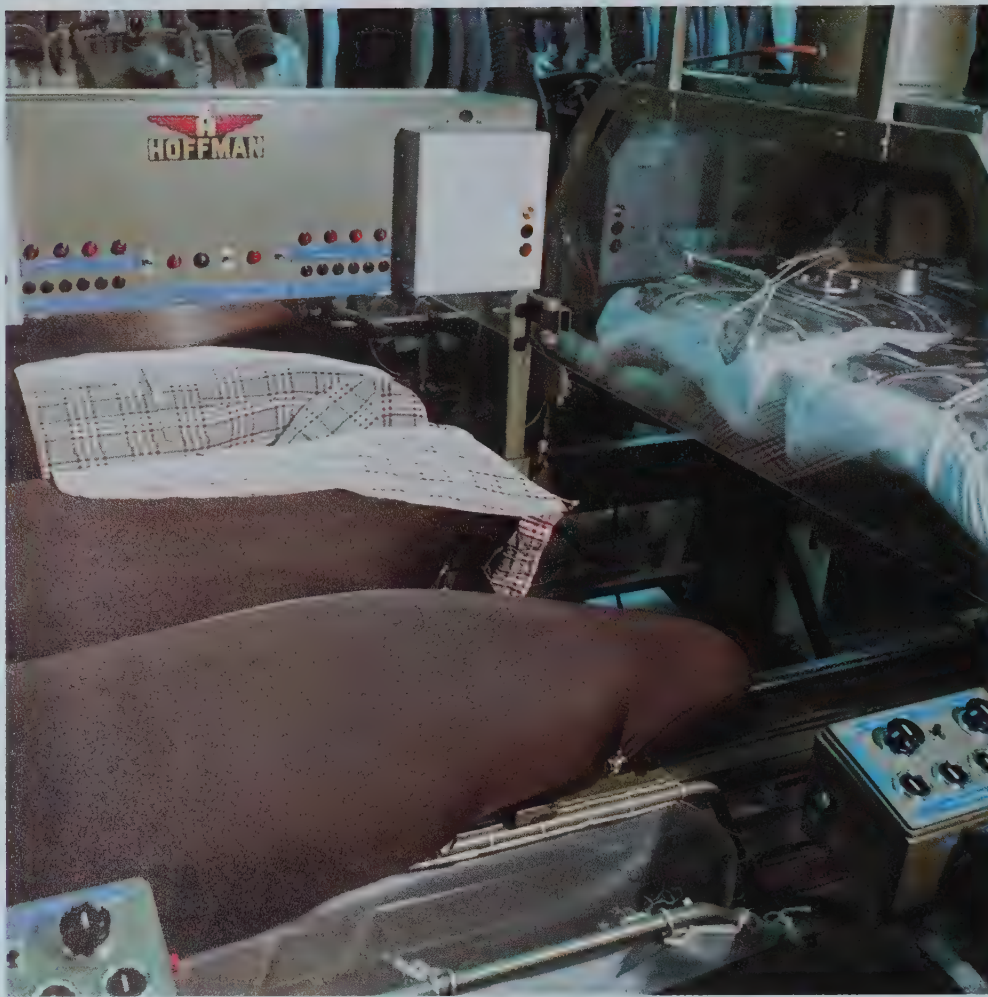
There were 94 Tip Top stores operating at the end of 1974 compared with 80 at the end of the previous year. Of eight warehouse outlets at year-end, four are being converted to regular stores and one closed. The converted stores will carry a full line of products but will retain some lower priced items.

While Tip Top's major business segment continues to be suits, a greater merchandising emphasis on shirts, sportswear and coats is leading to important changes in store design concepts incorporating flexible, modular units, with a minimum of built-ins. This past year the Tip Top outlet at the Yorkdale Shopping Centre in Toronto was refitted in this format to make it an exciting showcase for men's wear.

The Harry Rosen division opened a prestigious new store, its sixth, three weeks before Christmas on Bloor Street in Toronto and early indications are that this store will prove most successful.

Following a period of major expansion the men's wear division is concentrating on bringing its newer stores to maturity. The division plans to open further stores on a reduced scale with approximately seven new Tip Top stores slated for opening in 1975. A continuing effort to reduce expenses in relation to sales is coupled with a more aggressive merchandising program planned for this year.





## Manufacturing

Our manufacturing operations experienced a satisfactory year in the face of inflationary pressures, including higher labour costs and some labour shortages. Demand for fashion products was at reasonable levels and profit margins generally were maintained.

Canadian Clothiers showed an increase over the previous year in both unit and dollar volume. The division, which supplies Tip Top under its own labels, continued to enjoy good volume as well in its external or dealer business — in the popular Botany 500 and Johnny Carson lines. Demand for the latter was especially strong. The division expects to maintain or improve its growing external sector which at present accounts for about 30 percent of its volume. Plants at the beginning of the current year were operating at high rates of capacity; new machines have been installed to achieve greater productivity in the present facilities.

Nu-Mode Dress division, a leader in ladies' dresses and fashions, achieved good performance in the face of difficult market and manufacturing conditions.

The performance of the Posluns' coat division was comparable to the previous year. The U.S. market, accounting for over a quarter of the division's volume, turned soft; however this was in part offset by the relatively strong Canadian market.

National Knitting, a fully integrated manufacturer, continued to enjoy acceptance of its fashion knitwear for women and children.

The Manchester division based in Montreal opened a new children's coat plant at Colebrook, New Hampshire, in association with Sears, Roebuck. Dylex holds a 42-percent interest in the U.S. operation. Since start-up, production levels had increased substantially by year-end. Sears is committed to take a large portion of the plant's production.

The Forsyth Group, in which Dylex has a one-third interest, experienced greatly improved sales and profits from its Ontario and Quebec plants. During the year Forsyth purchased a 75-percent interest in Lady Manhattan of Canada, a leading manufacturer of women's shirts.



## Consolidated Statement of Earnings

	February 1, 1975	February 2, 1974
	(Thousands of dollars)	
<b>Sales</b>		
Retail	\$148,298	\$107,446
Fashion Manufacturing	22,993	25,108
Net Sales	171,291	132,554
Customer service income	891	973
	172,182	133,527
Earnings from operations before the following charges	\$ 13,886	\$ 10,958
Depreciation	1,767	1,555
Amortization of deferred charges	203	109
Interest on long-term debt	513	394
Other interest	1,182	413
Earnings before income taxes	10,221	8,487
Income taxes	5,111	3,898
	5,110	4,589
Income from investments (note 3)	702	246
Minority interest in subsidiary earnings	(570)	(369)
<b>Net Earnings</b>	<b>\$ 5,242</b>	<b>\$ 4,466</b>
<b>Earnings per Share</b>	<b>\$ 0.90</b>	<b>\$ 0.77</b>

## Consolidated Statement of Retained Earnings

	February 1, 1975	February 2, 1974
	(Thousands of dollars)	
<b>Balance at beginning of year</b>		
As previously reported	\$ 5,106	\$ 13,831
Write-off of goodwill in year of acquisition	—	(15,417)
Minority interest share of goodwill written-off in 1974	294	—
As restated	5,400	(1,586)
Net earnings	5,242	4,466
Disposal of goodwill (net of income taxes)	—	3,541
Transfer from appraisal excess (note 6)	22	22
	10,664	6,443
Write-off of goodwill purchased in current year	—	344
Dividends — common shares (1975 — 14¢; 1974 — 12¢)	122	106
— class "A" preference shares (1975 — 14¢; 1974 — 12¢)	694	593
	816	1,043
<b>Balance at end of year</b>	<b>\$ 9,848</b>	<b>\$ 5,400</b>

The accompanying notes form an integral part of these financial statements



## Consolidated Statement of Changes in Financial Position

	February 1, 1975	February 2, 1974
	(Thousands of dollars)	
<b>Source of Funds</b>		
Net earnings	\$ 5,242	\$ 4,466
Depreciation and amortization	1,970	1,664
Income from investments	(702)	(246)
Change in deferred income taxes	327	(431)
Minority interest in net earnings	570	75
Funds from operations	7,407	5,528
Sale of subsidiary companies (notes 3 and 4)		
Sale price	1	13,024
Net current liabilities (1974 Assets)	366	(7,330)
Non-current note receivable as part payment	—	(3,763)
	367	1,931
Decrease in investments and advances	563	413
Disposal of fixed assets	49	302
Increase in long-term debt	1,388	5,496
	9,774	13,670
<b>Use of Funds</b>		
Fixed assets	2,484	3,055
Deferred charges	194	211
Investments and advances	879	1,157
Reduction of long-term debt including current portion	693	2,357
Dividends	816	699
Goodwill	—	344
	5,066	7,823
Net increase in Working Capital	4,708	5,847
Working Capital, at beginning of year	17,848	12,001
Working Capital, at end of year	\$ 22,556	\$ 17,848

## Auditors' Report

To the shareholders of Dylex Limited,

We have examined the consolidated statement of financial position of Dylex Limited and its subsidiaries as at February 1, 1975, and the consolidated statement of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For a company, accounted for by the equity method, we have relied on the report of the auditors who have examined its financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at February 1, 1975, and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada  
March 31, 1975

WM. EISENBERG & CO.  
Chartered Accountants



## Consolidated Statement of Financial Position

	February 1, 1975	February 2, 1974
	(Thousands of dollars)	
<b>Current Assets</b>		
Cash and short term deposits	\$ 327	\$ —
Accounts receivable	12,400	13,142
Inventories (note 2)	36,353	31,154
Prepaid expenses	734	1,399
Note and other investments due within one year (note 4)	171	394
	49,985	46,089
<b>Current Liabilities</b>		
Bank indebtedness (note 7)	—	3,589
Accounts payable and accrued	22,686	19,205
Income and other taxes payable	2,642	1,678
Notes payable (note 8)	1,466	1,788
Long-term debt due within one year (note 9)	635	1,981
	27,429	28,241
<b>Working Capital</b>	22,556	17,848
<b>Other Assets</b>		
Investment in associate companies (note 3)	3,562	2,413
Note and other investments (note 4)	3,526	3,677
Advances — key employee stock plan (note 5)	1,061	935
Fixed assets (note 6)	13,964	13,597
Deferred charges at cost less amortization	192	227
<b>Assets Employed</b>	<b>\$44,861</b>	<b>\$38,697</b>
<b>Financed By —</b>		
<b>Other Liabilities</b>		
Long-term notes and mortgages payable (note 9)	\$ 7,241	\$ 6,546
Bank loan — key employee stock plan (note 5)	1,061	935
Deferred income taxes	783	436
Minority interest	1,122	552
	10,207	8,469
<b>Shareholders' Equity</b>		
Capital Stock (note 10)		
Common shares	1,828	1,839
Class "A" shares	21,255	21,244
Excess of appraised value of fixed assets over cost (note 6)	1,723	1,745
Retained earnings	9,848	5,400
	34,654	30,228
<b>Capital Employed</b>	<b>\$44,861</b>	<b>\$38,697</b>

Approved on behalf of the board

J. F. KAY, Director

W. POSLUNS, Director

The accompanying notes form an integral part of these financial statements



## Notes to Consolidated Financial Statements

as at February 1, 1975

### 1. Accounting Policies

#### Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries and divisions of Dylex Limited.

#### Inventories

Retail store inventories are valued at the lower of cost and net realizable value, less normal profit margins. Fashion manufacturing inventories are priced at the lower of cost and net realizable value.

#### Investment in Associate Companies

The investment is initially recorded at cost and adjusted annually to reflect the company's share of earnings and dividends.

#### Depreciation

Depreciation is designed to amortize the fixed assets over their estimated useful lives at the following rates:

Buildings	2½ %
Equipment and leasehold improvements	10% to 20%
Automotive	25%

#### Deferred Income Taxes

Income taxes have been provided in respect of depreciation timing differences between accounting and taxable income.

### 2. Inventories

Total inventories are comprised of the following:

	1975	1974
Retail	\$31,792,000	\$25,981,000
Fashion Manufacturing	4,561,000	5,173,000
	\$36,353,000	\$31,154,000

### 3. Investment in Associate Companies

The following include all companies where 50% or less of the outstanding common shares are owned by the company.

Investments:	Percentage ownership
Brody's Town & Country (1967) Limited	— 50%
The Shoe Shoppe Limited	— 50%
Drug World Limited	— 50%
Forsyth Trading Company Limited and subsidiaries	— 33⅓ %
St. Jean Forsyth Company Ltd.	— 100%
John Forsyth Co. Limited	— 100%
Mylord Shirt Mfg. Limited	— 100%
Bluestone Shirt Ltd.	— 100%
Lady Manhattan Company of Canada (operated by 289974 Ontario Ltd. acquired May 1974)	— 75%
Manchester Manufacturing Inc.	— 42%

A 58% interest in Manchester Manufacturing Inc. was sold on October 31, 1974 to Sears, Roebuck and Co. (28%), and to the management group of Manchester Manufacturing Inc. (30%) at cost. Dylex and Sears, Roebuck and Co. have subscribed to all the preference shares in the company as follows:



	Shares	Purchase Price in U.S.A. dollars
Dylex Limited	6,000	\$600,000
Sears, Roebuck and Co.	4,000	\$400,000

#### 4. Note and Other Investments

This is comprised mainly of a 7% unsecured note of \$3,432,000 due from Strathearn House Group Limited on the sale of the Home Products Group, repayable in equal monthly instalments for 10 years (commencing 1974) based on a 15 year amortization, with the balance due at the end of the tenth year.

#### 5. Key Employee Stock Plan

Under this plan common and class "A" participating preference shares have been allocated to the trustees of the company's key employee stock plan to be issued at a price not exceeding a 15% discount from market at the time of allotment. As at February 1, 1975, 2,434 class "A" participating preference shares remain to be issued (note 10). To facilitate the purchase of these shares by key employees, the company has provided \$1,061,000 as at February 1, 1975 to the trustees of the plan, to be repaid over a period not exceeding ten years.

6. Fixed Assets	1975	1974
Land	\$ 1,181,000	\$ 1,213,000
Buildings	3,647,000	3,687,000
Equipment and leasehold improvements	19,023,000	17,924,000
	\$23,851,000	\$22,824,000
Accumulated depreciation	9,887,000	9,227,000
	\$13,964,000	\$13,597,000

Fixed assets are recorded at cost, except for the company's property at 637 Lake Shore Boulevard West, Toronto, which is at 1967 appraised value. The appraisal excess is being transferred to retained earnings in amounts equal to the building depreciation provision of \$22,000 annually.

#### 7. Bank Indebtedness

Bank indebtedness is secured by a pledge of book debts and inventories.

#### 8. Notes Payable

This amount is comprised of notes payable by the finance subsidiary in the amount of \$858,000 due to directors, officers and shareholders of the company and their associates and the amount of \$608,000 due to an associate company.

9. Long-Term Debt	1975	1974
Bank term loan — prime plus ¼ % due February 28, 1976 (note 7)	\$2,000,000	\$2,000,000
— prime plus 1½ % due June 30, 1981	945,000	—
Convertible debenture, non-interest bearing, secured, due July 2, 1974	—	1,500,000
Promissory notes, non-interest bearing, due December 1, 1980	535,000	625,000
Finance company notes, secured by chattel mortgages	861,000	1,129,000
10% First mortgage on building, due October 15, 1978	1,578,000	1,630,000
9½ % First mortgage on building, due December 1, 1997	635,000	643,000
Other, principally landlord loans	1,322,000	1,000,000
	7,876,000	8,527,000
Due within one year	635,000	1,981,000
	\$7,241,000	\$6,546,000



**10. Capital Stock****1975****1974****Authorized**

6,000,000 Common shares, without par value

20,000,000 Class "A", participating preference shares, without par value

1,000 Class "B", non-participating preference shares, without par value

**Issued**

869,079 Common shares (1974 — 874,047)

**\$ 1,828,000****\$ 1,839,000**

4,956,487 Class "A" shares (1974 — 4,951,519)

**\$21,255,000****\$21,244,000**

The common shares are convertible into class "A" participating preference shares on a one-for-one basis. During the year, 4,968 common shares were converted. Reference is also made to note 5.

**11. Remuneration of Directors and Officers**

The following statutory information is stated in compliance with the Canada Corporations Act and the Securities Act (Ontario).

NUMBER			REMUNERATION	
Directors	Officers	Directors Also Officers	Directors	Officers
20	17	13	\$4,000	\$2,131,000

**12. Lease Commitment**

Aggregate rentals of equipment and properties are as follows:

Year ended February 1, 1975

**\$10,129,000**

The next 5 years (exclusive of additional rentals based on a percentage of sales and occupancy charges)

**\$46,336,000****13. Contingent Liabilities**

The company has guaranteed the bank loans and notes payable of associated companies. The total of these guarantees was \$3,588,000, of which the outstanding indebtedness at February 1, 1975 was \$2,446,000.



# Dylex

## Retail Store Locations

	Total	Fashion Council	Tip Top	Harry Rosen	Family Fair	Thrifty's
<b>British Columbia</b>	20	9	11			
Vancouver	18	9	9			
Victoria	2		2			
<b>Alberta</b>	29	7	13			9
Calgary	12	3	6			3
Edmonton	16	4	6			6
Lethbridge	1		1			
<b>Saskatchewan</b>	3	1	2			
Regina	1		1			
Saskatoon	2	1	1			
<b>Manitoba</b>	11	1	4			6
Winnipeg	11	1	4			6
<b>Ontario</b>	140	37	42	6	29	26
Barrie	1					1
Belleville	1				1	
Brantford	2		1		1	
Brampton	1					1
Burlington	4	2	1		1	
Cambridge	3		1		1	1
Chatham	1				1	
Guelph	1				1	
Hamilton	10	3	3		2	2
Kingston	3	1	1		1	
Kitchener/Waterloo	7	2	2		1	2
London	7	2	1		2	2
Newmarket	1		1			
Oshawa	2	1	1			
Ottawa	12	4	5		1	2
Peterborough	1				1	
Pembroke	1				1	
St. Catharines	4	3	1			
Sarnia	1				1	
Sault Ste. Marie	3	1	1		1	
Sudbury	5	2	2			1
Thunder Bay	2		1			1
Toronto (Metro)	62	15	19	6	10	12
Welland	1				1	
Windsor	4	1	1		1	1
<b>Quebec</b>	21	7	14			
Montreal (Metro)	9	2	7			
Quebec City	8	4	4			
Chicoutimi	1		1			
Hull	2	1	1			
Sherbrooke	1		1			
<b>New Brunswick</b>	6	2	3			1
Saint John	1		1			
Moncton	5	2	2			1
<b>Nova Scotia</b>	6	2	4			
Dartmouth	2	1	1			
Halifax	4	1	3			
<b>Newfoundland</b>	1		1			
St. John's	1		1			
	237	66	94	6	29	42



## Directors

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Kenneth Axelrod  
D. W. Casey  
George Fine  
J. F. Kay  
S. F. Kay  
David Korn  
Irving Levine  
Sydney Loftus  
Irving Posluns  
Jack Posluns  
L. H. Posluns  
Wilfred Posluns  
Lionel Robins  
Harry Rosen  
Samuel Shainhouse  
S. M. Sigel  
W. H. Singer  
H. J. Stitt, Q.C.  
Henry Zagdanski  
A. H. Zaldin, Q.C.

## Officers

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L. H. Posluns, *Chairman of the Board*  
J. F. Kay, *President*  
Wilfred Posluns, *Secretary and Treasurer*  
Irving Posluns, *Executive Vice-President*  
Jack Posluns, *Executive Vice-President*  
Kenneth Axelrod, *Vice-President* — Manchester Clothing  
Alfred Callegari, *Vice-President* — Tip Top  
Gordon Edelstone, *Vice-President* — Canadian Clothiers  
George Fine, *Vice-President* — Family Fair  
Irving Levine, *Vice-President* — Fashion Council  
Sydney Loftus, *Vice-President* — Dylex Real Estate  
Paul Mancini, *Vice-President* — Dylex Apparel  
Lionel Robins, *Vice-President* — Fashion Council  
Harry Rosen, *Vice-President* — Tip Top  
David Rosenberg, *Vice-President* — Tip Top  
Samuel Shainhouse, *Vice-President* — National Knitting  
Henry Zagdanski, *Vice-President* — Nu Mode

## Subsidiary Companies

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Bradford Spinners Limited  
Canadian Clothiers Corporation Limited  
Dylex Acceptance Corporation Limited  
Fairweather Inc.  
Fashion Council Limited  
Harry Rosen Men's Wear Limited  
Jermaine's (1948) Limited  
Jermaine's (Oakridge) Limited  
National Knitting Mills Company Limited  
Thrifty Riding and Sport Shop Limited

## Transfer Agent and Registrar

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National Trust Company, Limited

## Auditors

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Wm. Eisenberg & Co., Chartered Accountants

## Bankers

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Bank of Montreal

## Listed on

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Toronto Stock Exchange  
Montreal Stock Exchange

## Head Office

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637 Lake Shore Boulevard West  
Toronto, Canada  
M5V 1A8







